

Reply Deadline: February 18, 2018 at 2:00 p.m. (EST)

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF PUERTO RICO

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<i>In re</i>	:	
THE FINANCIAL OVERSIGHT AND	:	PROMESA
MANAGEMENT BOARD FOR PUERTO RICO,	:	Title III
	:	
as representative of	:	Case No. 17-BK-3283 (LTS)
	:	
THE COMMONWEALTH OF PUERTO RICO,	:	(Jointly Administered)
<i>et al.</i> , <sup>1</sup>	:	
	:	
Debtors.	:	
-----X	:	
<i>In re</i>	:	
THE FINANCIAL OVERSIGHT AND	:	PROMESA
MANAGEMENT BOARD FOR PUERTO RICO,	:	Title III
	:	
as representative of	:	Case No. 17-BK-04780 (LTS)
	:	
PUERTO RICO ELECTRIC POWER	:	<b>Court Filing Relates Only to PREPA</b>
AUTHORITY (PREPA),	:	
	:	
Debtor.	:	
-----X	:	

**LIMITED REPLY OF SCOTIABANK DE PUERTO RICO, AS ADMINISTRATIVE  
AGENT, AND SOLUS ALTERNATIVE ASSET MANAGEMENT LP IN SUPPORT OF  
URGENT MOTION FOR REVISED \$300 MILLION LOAN TO PREPA**

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<sup>1</sup> The Debtors in these Title III cases, along with each Debtor's respective Title III case number listed as a bankruptcy case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); and (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747).

Scotiabank de Puerto Rico (“Scotiabank”), as administrative agent for lenders owed approximately \$550 million by the Puerto Rico Electric Power Authority (“PREPA”), and Solus Alternative Asset Management LP, on behalf of certain managed funds (collectively, “Solus”), as lenders of an additional \$146 million to PREPA under a separate credit facility (together with Scotiabank, the “Fuel Line Lenders”), respectfully submit this limited reply in support of the *Oversight Board’s and AAFAF’s Urgent Application and Notice of Revised Proposed \$300 Million Loan from Commonwealth to PREPA* (the “Revised Loan Motion”) [Dkt. No. 722].<sup>2</sup>

1. The Fuel Line Lenders continue to support the Government of Puerto Rico and the Oversight Board in their effort to provide emergency financing to PREPA. Accordingly, the Fuel Line Lenders support entry of the Revised Proposed Financing Order in the form submitted by the Oversight Board on February 17, 2018. *See* Dkt. No. 729, Ex. A. The Fuel Line Lenders submit this limited reply to address Paragraph 9 of the Revised Proposed Financing Order and, in particular, the proposed revision to Paragraph 9 put forward by the Ad Hoc Group of PREPA Bondholders (the “Ad Hoc Group”).

2. Paragraph 9 of the Revised Proposed Financing Order, as submitted by the Oversight Board, provides:

Current Expense Classification. “Eligible Uses” of the proceeds of the Loans pursuant to this Order and the Credit Documents are limited to “Current Expenses” under the Trust Agreement. As such, the Debtor’s repayment obligations to the Lender for amounts borrowed under the Facility shall be treated as “Current Expenses” under the Trust Agreement.

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<sup>2</sup> This limited reply is submitted in accordance with the Court’s *Order Granting Urgent Motion of Oversight Board and AAFAF to Schedule Resolution of Oversight Board and AAFAF’s Urgent Application and Notice of Revised Proposed \$300 Million Loan from Commonwealth to PREPA* [Dkt. No. 728]. Capitalized terms not defined have the same meanings as in the Revised Loan Motion.

*Id.* ¶ 9. This classification is entirely consistent with the governing Trust Agreement.

3. The Ad Hoc Group has proposed to add the following sentence to Paragraph 9 of the Revised Proposed Financing Order:

Nothing in this Order (a) prejudices the right of any party to argue (on the basis of this paragraph 9 or otherwise) that a pre-petition claim is or is not a Current Expense or (b) constitutes a determination of such issue.

Dkt. No. 732, Ex. B at 8.

4. The Fuel Line Lenders do not object to the additional language proposed by the Ad Hoc Group. As explained at the hearing on February 15, 2018, the Fuel Line Lenders believe it is evident that the Fuel Line Loans constitute Current Expenses under the Trust Agreement but the Fuel Line Lenders also recognize that PREPA's bondholders may dispute this. Feb. 15, 2018 Tr. 205-207. Those disputes are not before the Court at this time and should not delay entry of the Revised Proposed Financing Order. Accordingly, the additional language proposed by the Ad Hoc Group is an appropriate modification which preserves all parties' rights with respect to the priority and classification of pre-petition claims.

Dated: February 18, 2018

Respectfully submitted,

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